

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2002 to the January 2003 *Idaho Economic Forecast*. The October 2002 Idaho forecast is based on Global Insight's October 2002 baseline forecast and the January 2003 Idaho forecast is driven by Global Insight's December 2002 baseline U.S. macroeconomic forecast.

The table on the facing page highlights some of the differences for several key national and Idaho variables between the current and previous forecast. A look at the table shows the outlook for real GDP for 2002 and 2003 is virtually unchanged. However, it has clearly improved in the longer term, with the forecast of real GDP nearly 0.5% higher in 2005 and almost 1.0% higher in 2006. Interestingly, this change has nothing to do with an improvement in nominal GDP and everything to do with the current projections of lower inflation. Indeed, the table shows the current nominal GDP estimates are lower than was published in October 2002. However, inflation is even weaker than previously forecast, with the net result being stronger real GDP in the current forecast. This pattern is repeated with U.S. personal income forecast. Unfortunately, the anticipated stronger real output growth does not translate into a brighter employment picture. In fact, nonfarm employment is weaker in every year of the forecast, with the goods-producing sector being relatively harder hit than the services-producing sector.

Idaho nonfarm employment is actually stronger in 2002 thanks to data that show the previous forecast was a bit on the pessimistic side. Specifically, Idaho nonfarm employment is now 512 higher in the first quarter of 2002 and almost 7,000 higher in the second quarter than has been previously reported. On an annual basis, Idaho nonfarm employment is about 3,700 higher. Unfortunately, like its national counterpart, it is not expected to hold this advantage over the forecast period. By the 2005, it is expected to be about 1,250 lower than in the previous forecast. The largest gap between the current and previous forecasts of nominal personal income occurs in 2003. After that year, the difference is expected to narrow annually, but the current forecast remains below the previous estimate. Due to the lower inflation in the current forecast, Idaho real personal income fares better than its nominal companion. Specifically, it is below the previous forecast in 2002 and 2003, but in 2004 and 2005 is higher than in the previous forecast.

IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JANUARY 2003 AND OCTOBER 2002 FORECASTS

	1999	2000	2001	2002	2003	2004	2005
GDP (BILLIONS)							
Current \$	0	0	0	-14	-81	-72	-87
% Difference	0.0%	0.0%	0.0%	-0.1%	-0.7%	-0.6%	-0.7%
1996 Chain-Weighted	0	0	0	4	-3	43	86
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	0.8%
PERSONAL INCOME - CURR \$							
Idaho (Millions)	0	0	0	-118	-359	-122	-34
% Difference	0.0%	0.0%	0.0%	-0.3%	-1.0%	-0.3%	-0.1%
U.S. (Billions)	0	0	0	-16	-49	-30	-43
% Difference	0.0%	0.0%	0.0%	-0.2%	-0.5%	-0.3%	-0.4%
PERSONAL INCOME - 1996 \$							
Idaho (Millions)	0	0	0	-67	-105	221	475
% Difference	0.0%	0.0%	0.0%	-0.2%	-0.3%	0.7%	1.4%
U.S. (Billions)	0	0	0	-4	13	61	98
% Difference	0.0%	0.0%	0.0%	-0.1%	0.2%	0.7%	1.1%
TOTAL NONFARM EMPLOYMENT							
Idaho	1	4	2	3,702	206	-1,329	-1,253
% Difference	0.0%	0.0%	0.0%	0.7%	0.0%	-0.2%	-0.2%
U.S. (Thousands)	0	0	0	0	-742	-906	-606
% Difference	0.0%	0.0%	0.0%	0.0%	-0.6%	-0.7%	-0.4%
GOODS PRODUCING SECTOR							
Idaho	1	2	2	1,087	806	255	-46
% Difference	0.0%	0.0%	0.0%	1.0%	0.8%	0.2%	0.0%
U.S. (Thousands)	0	0	0	2	-159	-332	-459
% Difference	0.0%	0.0%	0.0%	0.0%	-0.7%	-1.4%	-1.9%
SERVICE PRODUCING SECTOR							
Idaho	0	1	0	2,616	-600	-1,584	-1,207
% Difference	0.0%	0.0%	0.0%	0.6%	-0.1%	-0.3%	-0.2%
U.S. (Thousands)	0	0	0	-2	-583	-573	-148
% Difference	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.5%	-0.1%
FINANCIAL MARKETS							
Federal Funds Rate	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.1%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	-0.1%	-0.4%	-0.1%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	-0.1%	-0.2%	1.3%	0.7%
INFLATION							
GDP Price Deflator	0.0	0.0	0.0	-0.2	-0.8	-1.2	-1.8
Personal Cons Deflator	0.0	0.0	0.0	-0.1	-0.8	-1.2	-1.8
Consumer Price Index	0.0	0.0	0.0	-0.2	-1.1	-1.9	-3.0

Forecast Begins the **THIRD** Quarter of 2002